



ROBIN CARNAHAN
SECRETARY OF STATE
STATE OF MISSOURI

STATE CAPITOL
ROOM 208
(573) 751-2379

JAMES C. KIRKPATRICK
STATE INFORMATION CENTER
(573) 751-4936

November 23, 2005

The Honorable Matt Blunt
Governor, State of Missouri
State Capitol – Room 216-218
Jefferson City, MO 65101

Dear Governor Blunt:

The Missouri State Government Review Commission has now officially released its proposals for reforming Missouri state government.

As you know, my office has made multiple attempts over the past several weeks to set up a phone call with you in order to discuss the Missouri State Government Review Commission's proposal to remove the Securities Division from the Office of Secretary of State. I regret that you have been unable to find time to discuss this important matter.

I share your interest in streamlining government operations, creating efficiencies and providing better service to our customers, the citizens of Missouri.

For that reason, I believe you should reject the Commission's proposal to remove the Securities Division from the Secretary of State's office and consolidate it into the Department of Insurance along with banking and professional registration activities.

As you know from your tenure as Secretary of State, the constitutional duty to regulate corporations, which includes the duty to enforce the state's securities laws and protect Missouri investors from fraud, is one of the most important responsibilities of that office. This important responsibility is not new to the Secretary of State's office. In fact, the Missouri Secretary of State has carried out these duties since 1925 during both Democratic and Republican administrations.

The Committee's justification for the proposal fails to make a convincing argument that consolidating the regulation of insurance, banking, securities and professional registration into a large new bureaucracy will either a) create efficiencies and cost savings for taxpayers; or b) better protect Missouri consumers and investors. In fact, I believe it would do just the opposite.

The Honorable Matt Blunt
November 23, 2005
Page 2

Having considered the potential costs and benefits of this proposal, I believe it presents an unnecessary and unreasonable risk to the economic and financial security of Missouri families without any measurable benefit to taxpayers.

While all change involves risk, the known inadequacies and obvious risks involved with moving an effective and well managed organization such as the Securities Division into a large new bureaucracy (which even in it's current, smaller incarnation you have referred to as a "bureaucratic behemoth") defies common sense.

There is no doubt that the underlying premise of the Commission's action is accurate: that the financial services industry has changed dramatically in recent years. As you are well aware, today, similar financial products now being sold to consumers may originate from a bank, insurance company, or securities firm. Addressing this new reality is important.

Creating one large, new conglomerate agency will not provide coherent, coordinated or improved regulation of the financial services industry. Instead, such regulation can only be achieved by making underlying substantive, statutory, and regulatory changes. That's why I have embraced the statutory changes you proposed regarding variable annuities during your last year as Secretary of State. Those statutory changes would go far to level the regulatory playing field, close enforcement gaps, protect consumers and bring predictability to the industry.

Finally, since any change to the constitutional duties of the Secretary of State's Office would require a public vote, this proposal will cost taxpayers additional money.

Protecting the life savings of Missourians must never become a partisan political issue. By working closely together and presenting a common solution to this serious issue, we can avoid any appearance of that. I hope you will reject the Commission's proposal to move the Securities Division from the Secretary of State's office and instead work with our office to make the legislative changes necessary to close the loopholes that now threaten Missouri investors.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Robin Carnahan", written in a cursive style.

Robin Carnahan
Secretary of State

RC/pa